

# United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	James B. Moran	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	00 C 1248	DATE	4/23/2002
CASE TITLE	Francorp, Inc. Vs. Mark Siebert et al.		

[In the following box (a) indicate the party filing the motion, e.g., plaintiff, defendant, 3rd party plaintiff, and (b) state briefly the nature of the motion being presented.]

**MOTION:**

## Memorandum Opinion and Order

**DOCKET ENTRY:**

- (1) ☐ Filed motion of [ use listing in "Motion" box above.]
- (2) ☐ Brief in support of motion due \_\_\_\_\_.
- (3) ☐ Answer brief to motion due \_\_\_\_\_. Reply to answer brief due \_\_\_\_\_.
- (4) ☐ Ruling/Hearing on \_\_\_\_\_ set for \_\_\_\_\_ at \_\_\_\_\_.
- (5) ☐ Status hearing[held/continued to] [set for/re-set for] on \_\_\_\_\_ set for \_\_\_\_\_ at \_\_\_\_\_.
- (6) ☐ Pretrial conference[held/continued to] [set for/re-set for] on \_\_\_\_\_ set for \_\_\_\_\_ at \_\_\_\_\_.
- (7) ☐ Trial[set for/re-set for] on \_\_\_\_\_ at \_\_\_\_\_.
- (8) ☐ [Bench/Jury trial] [Hearing] held/continued to \_\_\_\_\_ at \_\_\_\_\_.
- (9) ☐ This case is dismissed [with/without] prejudice and without costs[by/agreement/pursuant to]  
☐ FRCP4(m) ☐ General Rule 21 ☐ FRCP41(a)(1) ☐ FRCP41(a)(2).
- (10) ☒ [Other docket entry] Enter Memorandum Opinion and Order. Defendants' motion for partial summary judgment as to counts II, III, and XIV is granted.

- (11) ☒ [For further detail see order attached to the original minute order.]

<input type="checkbox"/> No notices required, advised in open court. <input type="checkbox"/> No notices required. <input type="checkbox"/> Notices mailed by judge's staff. <input type="checkbox"/> Notified counsel by telephone. <input checked="" type="checkbox"/> Docketing to mail notices. <input type="checkbox"/> Mail AO 450 form. <input type="checkbox"/> Copy to judge/magistrate judge.	U.S. DISTRICT COURT CLERK 02 APR 23 PM 2:21 Date/time received in central Clerk's Office	number of notices <div style="border: 1px solid black; padding: 5px; text-align: center;">APR 24 2002</div> date docketed <div style="text-align: center;">cm</div> docketing deputy initials date mailed notice mailing deputy initials	<b>Document Number</b> <div style="font-size: 2em; font-family: cursive;">158</div>
WAH	courtroom deputy's initials		

IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

FRANCORP, INC.,

Plaintiff

vs.

MARK SIEBERT, MARK SIEBERT &  
ASSOCIATES, INC., also doing business  
as Siebert & Associates, Inc. and as The  
iFranchise Group, Inc., TOMMY D.  
PAYNE, DAN LEVY, LAURIE LUDES  
and JUDY JANUSZ,

Defendants.

No. 00 C 1248

**DOCKETED**

APR 24 2002

**MEMORANDUM OPINION AND ORDER**

Plaintiff Francorp, Inc.(Francorp) brings this action against Mark Siebert (Siebert), Mark Siebert & Associates, Inc. (MSA), Tommy D. Payne, Dan Levy, Laurie Ludes and Judy Janusz. Defendants Siebert and MSA (defendants) move for partial summary judgement on counts II (Illinois Consumer Fraud Act), III (Illinois Deceptive Trade Practices Act) and XIV (Lanham Act) of plaintiff's complaint. For the following reasons, defendants' motion is granted.

**BACKGROUND**

The facts of this case have been laid out by this court in the various opinions that precede this motion. *See Francorp, Inc. v. Siebert*, 126 F.Supp. 543 (2000); 2000 WL 1741918 (2000); 2001 WL 1159224 (2001); 2001 WL 1448533 (2001); slip opinion 00 C 1248 (3/27/2002).

To summarize, Siebert was the president of Francorp. Francorp began experiencing problems in 1997, and in 1998 Siebert left Francorp to form MSA. Since then, several other Francorp

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officers and employees left the company and have worked with MSA in one capacity or another.

Relevant to this motion, MSA (which also does business as The iFranchise Group) established a website containing promotional materials for the company. Francorp claims that the content in MSA's website and promotional brochure constitute false advertising and unfair and deceptive business practices. We have already dismissed certain defendants from these unfair business claims since they were not sufficiently connected to the production of these materials to incur liability. *See* 2001 WL 1159224, (9/28/2001). We now address the substance of these claims and determine if the evidence presented provides enough of a foundation for the claims in counts II, III and XIV to go forward.<sup>1</sup>

### DISCUSSION

Summary judgment is appropriate only if there are no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986). We draw all inferences and view all admissible evidence in the light most favorable to the non-moving party. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). This does not mean there must be no evidence supporting the non-moving party, but, rather, it is not enough to support a reasonable jury verdict. *Id* at 248.

#### The Lanham Act Claim (Count XIV)

Francorp alleges that defendants' website and promotional materials contain false and misleading advertising in violation of 15 U.S.C. § 1125(a)(1)(A). To obtain relief under section

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<sup>1</sup>We have already granted summary judgment for Siebert and MSA on count I of Francorp's complaint, which contested some of the same materials under a theory of copyright infringement. *See* 2001 WL 144533 (11/15/2001).

43(a) of the Lanham Act, a plaintiff must prove (1) that the defendant used a false designation of origin or false description or representation in connection with goods or services; (2) that such goods or services entered interstate commerce; and (3) that the plaintiff is a person who believes he is likely to be damaged as a result of the misrepresentation. 15 U.S.C. 1125(a); Kennedy v. National Juvenile Detention Association, 187 F.3d 690, 695 (7th Cir. 1999). The third element is satisfied when the plaintiff shows that there is a likelihood of consumer confusion as a result of the false representation. The Monotype Corp. v. Simon & Schuster, Inc., 2000 WL 1852907, \*3 (N.D.Ill.) *citing* Web Printing Controls Co., Inc. v. Oxy-Dry Corp., 906 F.2d 1202, 1204 (7th Cir. 1990). Defendants argue that Francorp has failed to offer evidence to satisfy both the false designation of origin and the likelihood of confusion elements of this claim.

Generally, allegations of false designation of origin are either “passing-off” claims or “reverse passing-off” claims. Web Printing, 905 F.2d at 1203, n.1. Passing-off involves selling goods or services of one’s own creation under someone else’s name or mark. *Id.* In contrast, Francorp alleges a reverse passing-off claim, namely that defendants have removed Francorp’s name from services created by Francorp and then advertised these services as their own. *See Kennedy*, 187 F.3d at 696 *citing* Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981).

A reverse passing-off claim is based on the theory that the originator of a product is involuntarily deprived of the advertising value of its name and the goodwill that would come from the public knowing the true source of the satisfactory product. Goes Lithography Co. v. Banta Corp., 26 F.Supp.2d 1042, 1046 (N.D.Ill. 1998) *citing* Smith, 648 F.2d at 607. Courts have cast a wide net in determining what can be protected as a “product” in reverse passing-

off claims brought under the Lanham Act. *See e.g. Gannett Satellite Information Network, Inc. v. Rock Valley Community Press, Inc.*, 1994 WL 606171, \*4 (N.D.Ill. 1994) (quotes and portions of newspaper articles that were the original work of plaintiff reprinted under defendant's byline were appropriate subjects of a false designation of origin claim). At the same time, services or goods must be more than an idea to be protected, they must be a manifestation of that idea. *Hoopla Sports and Entertainment, Inc. v. Nike Inc., et al.*, 947 F.Supp. 347, 352 (N.D.Ill. 1996). In *Hoopla*, plaintiff claims that defendants promoted a basketball game nearly identical to its tournament, but having identified a "good" or "service" within the scope of 43(a) it had only protection over a specific tournament, not any game that was based on the same idea.

As a threshold issue, then, we must determine if the materials identified by Francorp are protected by the Lanham Act. Francorp has noted various areas of MSA's materials that allegedly constitute false advertising and false designation of origin. The highlighted areas divide roughly into three categories of alleged wrongdoing: sections that misappropriated Francorp's business and experience; materials developed by Francorp falsely designated as MSA's products; and a false statement that the iFranchise Group is "the only franchise consulting firm in the world that offers a complete line of services for the established franchisor."

Francorp asserted that defendants misappropriated its experience when it published a client list under the heading "Companies We've Helped" and stated that "the iFranchise Group...[has] worked with many of the nation's most successful franchisors." The experience listed belongs to former Francorp employees who were associated with the iFranchise Group

at the time of the posting, and there is no dispute that the experience was gathered, and the listed clients were served, while the former employees were working at Francorp. The extent of that experience is in dispute.

While the list of clients on the website is titled “Companies We’ve Helped,” the next line of the page, above the listing of clients, is “Members of the iFranchise Group have assisted companies of all sizes...including...” This makes clear that the clients listed were clients of the individual members of the iFranchise Group. Even assuming that some of the statements exaggerate the individual’s experience and are not clear about when that experience was gathered, former employees’ business experience and lists of clients with whom they worked are not goods and services as contemplated by this statute. As a result, they are not protected by section 43(a) of the Lanham Act.

Francorp also claims that defendants’ website contains “features and ideas” developed at Francorp (Stmt of Add. Facts, ¶4). As noted above, ideas are not protected under the Lanham Act. The features of the website identified in Francorp’s complaint consist mostly of headings, definitions, and general statements regarding franchising, which are allegedly misappropriated from Francorp’s seminar brochure and promotional publications.<sup>2</sup> There

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<sup>2</sup>While not entirely clear, it appears that the contested website materials are those which are laid out in Francorp’s Complaint at ¶14:

- (a) The headings from the section entitled “Franchising Defined...”
- (b) The section entitled “The Next Step...”
- (c) The section entitled “Is Your Business Franchisable...”
- (d) The section entitled “Advantages of Franchising...”
- (e) The section entitled “The Process of Franchising...”
- (f) The section on “international Expansion Services...”
- (g) The reference to experience in dealer conversion in the section entitled “Franchising as an Alternate Channel...”
- (h) The “Franchise Audit Service...”
- (i) The website’s “acid test”....

are clearly similarities between the materials of the two companies. It is also undisputed that Siebert was still at Francorp during the idea and development stage of Francorp's materials, and it is more than likely that Siebert applied what he learned at Francorp in developing MSA's website. However, goods or services created from an idea generated by a competing company are not the same as a misappropriation of the other company's product. *See Hoopla Sports, infra*. The disputed definitions, terms, and other identified materials come from the general business of franchise consultation, and do not constitute a mislabeling of goods or services unique to Francorp.<sup>3</sup>

We treat MSA's statement that it is "the only franchise consulting firm in the world that offers a complete line of services for the established franchisor" separately, since this statement does not fit under the umbrella of reverse passing-off claims. Rather, Francorp alleges that this a false statement that will mislead potential clients because Francorp has been offering the same services for over 25 years. We are unpersuaded by Francorp's argument. The parties agree that they do not offer the exact same line of services, and that each offers some services that are distinctive. Either company can claim that their services are the most "complete" without violating the Lanham Act. Francorp has failed to show that it had a good or service protected by the Lanham Act that was appropriated by the defendants, and summary judgment is granted as to count XIV.

#### State Claims

Relying on the same factual allegations as those identified in the Lanham Act claim, Francorp claims violations of the Illinois Consumer Fraud Act and the Uniform Deceptive

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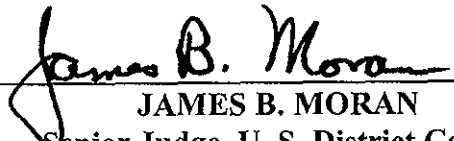
<sup>3</sup> For further discussion on idea versus product of idea, see our granting of summary judgment on the copyright claim in count I., 2001 WL 1448533, \*4-5.

Practices Act. The state claims are based on the same wrong alleged in the federal claim, namely that the iFranchise group represented that it had sponsorship, approval, affiliation or connections, which they do not have. "Claims for unfair competition and deceptive business practices brought under Illinois statutes are to be resolved according to the principles set forth under the Lanham Act." Spex, Inc. v. Joy of Spex, Inc., 847 F.Supp 567, 578 (N.D.Ill. 1994) *citing* Gimix Inc. v. JS & A Group, Inc., 699 F,2d 901, 908 (7th Cir. 1983). Since we have granted summary judgment on the Lanham Act claim, we grant summary judgment on the state claims in counts II and III as well.

CONCLUSION

For the above reasons, defendants' motion for partial summary judgment as to counts II, III, and XIV is granted.

April 23, 2002.

  
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JAMES B. MORAN  
Senior Judge, U. S. District Court